

Denver Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2010

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Independent Auditor's Report

To the Board of Education of  
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District, Denver, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 7, 2011 on my consideration of Denver Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Keith Oltrogge  
Certified Public Accountant

February 7, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Denver Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,291,792 in fiscal 2009 to \$6,407,151 in fiscal 2010, while General Fund expenditures decreased from \$6,298,712 in fiscal 2009 to \$6,235,376 in fiscal 2010. The District's General Fund balance increased from \$494,973 in fiscal 2009 to \$666,748 in fiscal 2010, a 26% increase.
- The increase in General Fund revenues was attributable to an increase in local and federal revenue in fiscal 2010. The decrease in expenditures was due primarily to a decrease in supportive services costs.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 7.1% in 2009 to 9.0% in fiscal 2010. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Denver Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denver Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denver Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Denver Community School District Annual Financial Report**

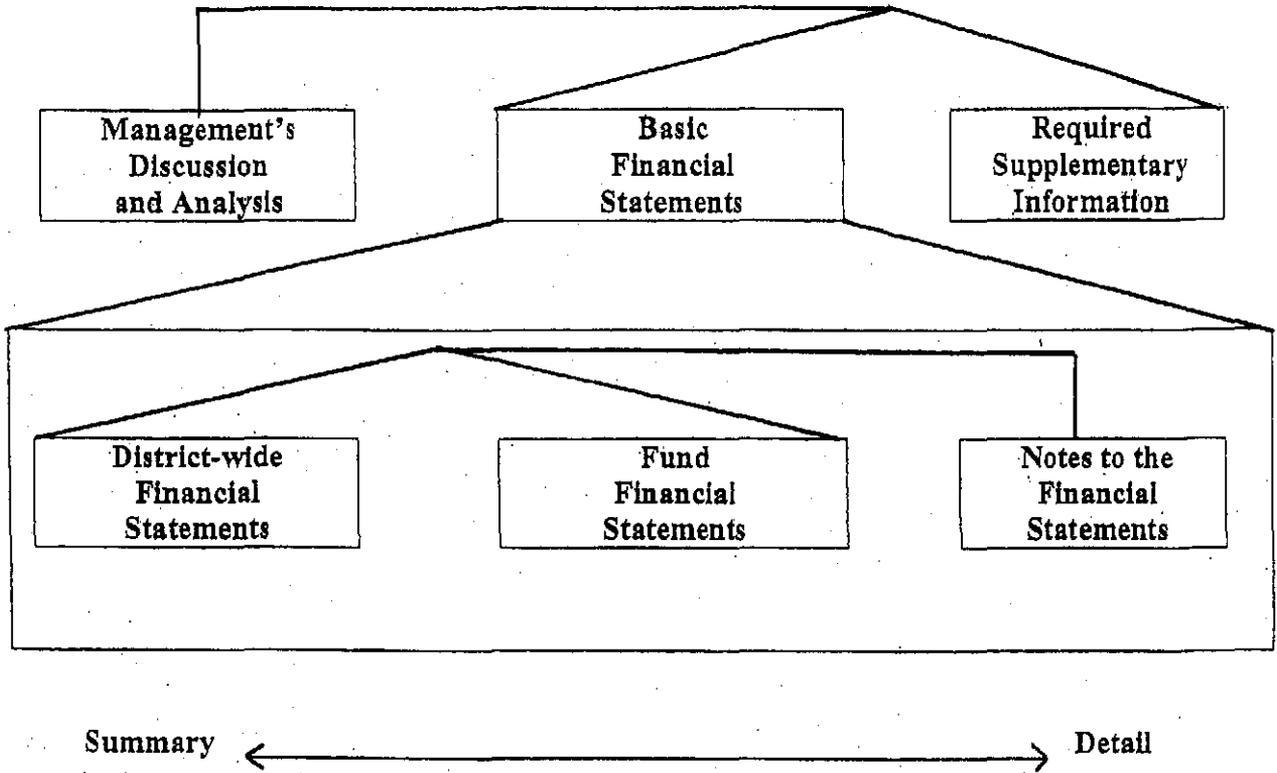


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2  
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
  - Private-Purpose Trust Fund -- The District accounts for outside donations for scholarships in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$5,681,568	\$6,804,859	\$87,920	\$81,451	\$5,769,488	\$6,886,310	-6.2%
Capital assets	5,147,657	4,973,084	25,252	23,178	5,172,909	4,996,262	3.5%
Total assets	\$10,829,225	\$11,777,943	\$113,172	\$104,629	\$10,942,397	\$11,882,572	-7.9%
Long-term liabilities	\$1,534,000	\$1,655,000	\$-	\$-	\$1,534,000	\$1,655,000	-7.0%
Other liabilities	3,261,457	4,625,114	6,516	5,976	3,267,973	4,631,090	-29.4%
Total liabilities	\$4,795,457	\$6,280,114	\$6,516	\$5,976	\$4,801,973	\$6,286,090	-23.6%
Net assets:							
Invested in capital assets, net of related debt	\$3,777,657	\$3,318,084	\$25,252	\$23,178	\$3,802,909	\$3,341,262	13.8%
Restricted	1,832,943	1,744,225	-	-	1,832,943	1,744,225	5.1%
Unrestricted	423,168	435,520	81,404	75,475	504,572	510,995	-1.3%
Total net assets	\$6,033,768	\$5,497,829	\$106,656	\$98,653	\$6,140,424	\$5,596,482	9.7%

The District's combined net assets increased by nearly 9.7%, or approximately \$544,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$89,000, or 5.1% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$6,000, or 1.3%.

Figure A-4 shows the change in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-4  
Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$636,825	\$714,887	\$211,365	\$217,555	\$848,190	\$932,442	-9.0%
Operating grants, contributions and restricted interest	1,317,146	791,325	88,490	91,751	1,405,636	883,076	59.2%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	2,431,515	2,356,370	-	-	2,431,515	2,356,370	3.2%
Statewide sales, service and use tax	542,466	480,376	-	-	542,466	480,376	12.9%
Unrestricted state grants	2,578,389	3,024,035	-	-	2,578,389	3,024,035	14.7%
Unrestricted investment earnings	43,363	90,233	159	546	43,522	90,779	-52.1%
Other	154,048	52,159	-	-	154,048	52,159	195.3%
<b>Total revenues</b>	<b>\$7,703,752</b>	<b>\$7,509,385</b>	<b>\$300,014</b>	<b>\$309,852</b>	<b>\$8,003,766</b>	<b>\$7,819,237</b>	<b>2.4%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$4,787,518	\$4,661,285	\$-	\$-	\$4,787,518	\$4,661,285	2.7%
Support services	1,933,938	2,004,940	-	-	1,933,938	2,004,940	-3.6%
Non-instructional programs	-	-	292,011	277,325	292,011	277,325	5.3%
Other expenses	446,357	410,825	-	-	446,357	410,825	8.6%
<b>Total expenses</b>	<b>\$7,167,813</b>	<b>\$7,077,050</b>	<b>\$292,011</b>	<b>\$277,325</b>	<b>\$7,459,824</b>	<b>\$7,354,375</b>	<b>1.4%</b>
<b>Change in net assets</b>	<b>\$535,939</b>	<b>\$432,335</b>	<b>\$8,003</b>	<b>\$32,527</b>	<b>\$543,942</b>	<b>\$464,862</b>	<b>17.0%</b>

In fiscal year 2010, property tax and unrestricted state grants account for 65% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8 million, of which approximately \$7.7 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.4% increase in revenues and a 1.4% increase in expenses. Property tax increased approximately \$75,000. The increase in expenses is related to an increase in other expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$7,703,752 and expenses were \$7,167,813 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-5  
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-10	2010	2009	2009-10
Instruction	\$4,787,518	\$4,661,285	2.7%	\$2,865,716	\$3,193,726	-10.3%
Support services	1,933,938	2,004,940	-36%	1,901,769	1,966,287	-3.3%
Non-instructional programs	-	-	-	-	-	-
Other expenses	446,357	410,825	8.6%	446,357	410,825	8.6%
<b>Totals</b>	<b>\$7,167,813</b>	<b>\$7,077,050</b>	<b>1.3%</b>	<b>\$5,213,842</b>	<b>\$5,570,838</b>	<b>-6.4%</b>

- The cost financed by users of the District's programs was \$848,190.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,405,636.
- The net cost of governmental activities was financed with \$2,973,981 in property and other taxes and \$2,578,389 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$300,014 and expenses were \$292,011. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Denver Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,433,487 above last year's ending fund balance of \$2,192,328.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was matched by the District's decrease in General Fund expenditures.
- The General Fund balance increased from \$494,973 to \$666,748, due in part to the decrease in support services, expenditures and the increase in revenue.
- The Debt Service Fund balance increased from \$9,708 in fiscal 2009 to \$21,664 in fiscal 2010, due in part to the increase in the operating transfer from Capital Projects.
- The Capital Projects Fund balance decreased during fiscal 2010. The District ended fiscal 2009 with a balance of \$1,212,463. Fiscal 2010 ended with a balance of \$1,198,879, due to the increase in facilities acquisition expenditures.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$98,653 at June 30, 2009 to \$106,656 at June 30, 2010, representing an increase of approximately 8.1%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$1,379,481 less than budgeted receipts, a variance of 14.7%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$325,565.

The original cost of the District's capital assets was \$10.64 million. Governmental funds account for \$10.6 million, with the remainder of \$0.04 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The increase is for design and consulting fees for the elementary K-2 addition.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	0%
Construction in process	276,918	-	-	-	276,918	-	100%
Buildings	3,836,159	3,933,679	-	-	3,836,159	3,933,679	-2.5%
Improvements other than buildings	433,743	453,960	-	-	433,743	453,960	-4.5%
Furniture and equipment	389,237	373,845	4,335	23,178	393,572	397,023	-0.9%
Totals	\$5,147,657	\$4,973,084	\$4,335	\$23,178	\$5,151,992	\$4,996,262	3.1%

### Long-Term Debt

At June 30, 2010, the District had \$1,370,000 in general obligation long-term debt outstanding. This represents a decrease of approximately 17% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14 million.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$1,370,000	\$1,655,000	-17%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was unaware of existing circumstances that could significantly affect its financial health in the future, except for the following:

- The District is anticipating decreasing enrollment. Enrollment has decreased from 2009 to 2010 by 32 students. This will result in decreased state funding each year that enrollment decreases.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Enslin, Superintendent, Denver Community School District, 520 Lincoln Street, Denver IA 50622.

## **Basic Financial Statements**

## Denver Community School District

## Statement of Net Assets

June 30, 2010

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,866,275	\$ 82,122	\$ 2,948,397
Receivables:			
Property tax:			
Delinquent	12,667	-	12,667
Succeeding year	2,499,860	-	2,499,860
Accounts	110,730	135	110,865
Due from other governments	192,036	-	192,036
Inventories	-	5,663	5,663
Capital assets, net of accumulated depreciation	5,147,657	25,252	5,172,909
<b>Total Assets</b>	<b>\$ 10,829,225</b>	<b>\$ 113,172</b>	<b>\$ 10,942,397</b>
<b>Liabilities</b>			
Accounts payable	\$ 109,455	\$ 1,238	\$ 110,693
Salaries and benefits payable	403,257	-	403,257
Accrued interest payable	13,376	-	13,376
Deferred revenue-succeeding year property tax	2,499,860	-	2,499,860
Deferred revenue-other	235,509	5,278	240,787
Long-term liabilities:			
Portion due within one year:			
Early retirement	40,000	-	40,000
General obligation bonds payable	100,000	-	100,000
Portion due after one year:			
General obligation bonds payable	1,270,000	-	1,270,000
Net OPEB liability	124,000	-	124,000
<b>Total Liabilities</b>	<b>\$ 4,795,457</b>	<b>\$ 6,516</b>	<b>\$ 4,801,973</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 3,777,657	\$ 25,252	\$ 3,802,909
Restricted for:			
Categorical funding	106,204	-	106,204
Management levy	87,607	-	87,607
Physical plant and equipment levy	296,026	-	296,026
Capital projects	1,198,879	-	1,198,879
Other special revenue purposes	122,563	-	122,563
Debt service	21,664	-	21,664
Unrestricted	423,168	81,404	504,572
<b>Total Net Assets</b>	<b>\$ 6,033,768</b>	<b>\$ 106,656</b>	<b>\$ 6,140,424</b>



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,903,215	\$ -	\$ -1,903,215
-551,078	-	-551,078
-411,423	-	-411,423
<u>\$ -2,865,716</u>	<u>\$ -</u>	<u>\$ -2,865,716</u>
\$ -156,721	\$ -	\$ -156,721
-247,637	-	-247,637
-777,528	-	-777,528
-553,985	-	-553,985
-165,898	-	-165,898
<u>\$ -1,901,769</u>	<u>\$ -</u>	<u>\$ -1,901,769</u>
\$ -39,941	\$ -	\$ -39,941
-94,374	-	-94,374
-312,042	-	-312,042
<u>\$ -446,357</u>	<u>\$ -</u>	<u>\$ -446,357</u>
<u>\$ -5,213,842</u>	<u>\$ -</u>	<u>\$ -5,213,842</u>
\$ -	\$ 7,844	\$ 7,844
<u>\$ -5,213,842</u>	<u>\$ 7,844</u>	<u>\$ -5,205,998</u>



Net (Expense) Revenue  
And Changes in Net Assets

---

	Governmental Activities	Business Type Activities		Total
\$	2,136,090	\$	-	\$ 2,136,090
	140,813		-	140,813
	154,612		-	154,612
	542,466		-	542,466
	2,578,389		-	2,578,389
	43,363	159		43,522
	154,048		-	154,048
<hr/>				
\$	5,749,781	\$	159	\$ 5,749,940
<hr/>				
\$	535,939	\$	8,003	\$ 543,942
	5,497,829		98,653	5,596,482
<hr/>				
\$	6,033,768	\$	106,656	\$ 6,140,424

## Denver Community School District

Balance Sheet  
Governmental Funds

June 30, 2010

	General	Capital Projects	Debt Service	Non-major	Total
<b>Assets</b>					
Cash and Pooled Investments	\$ 1,129,769	\$ 1,113,629	\$ 20,876	\$ 602,001	\$ 2,866,275
Receivables:					
Property Tax:					
Delinquent	10,394	-	788	1,485	12,667
Succeeding year	2,209,391	-	-	290,469	2,499,860
Accounts	25,480	85,250	-	-	110,730
Due from other governments	192,036	-	-	-	192,036
<b>Total Assets</b>	<b>\$ 3,567,070</b>	<b>\$ 1,198,879</b>	<b>\$ 21,664</b>	<b>\$ 893,955</b>	<b>\$ 5,681,568</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 52,165	\$ -	\$ -	\$ 57,290	\$ 109,455
Salaries and benefits payable	403,257	-	-	-	403,257
Deferred Revenue:					
Succeeding year property tax	2,209,391	-	-	290,469	2,499,860
Other	235,509	-	-	-	235,509
<b>Total Liabilities</b>	<b>\$ 2,900,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 347,759</b>	<b>\$ 3,248,081</b>
Fund Balances:					
Reserved for:					
Categorical funding	\$ 106,204	\$ -	\$ -	\$ -	\$ 106,204
Other restricted	-	-	21,664	-	21,664
Unreserved	560,544	1,198,879	-	546,196	2,305,619
<b>Total Fund Balance</b>	<b>\$ 666,748</b>	<b>\$ 1,198,879</b>	<b>\$ 21,664</b>	<b>\$ 546,196</b>	<b>\$ 2,433,487</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,567,070</b>	<b>\$ 1,198,879</b>	<b>\$ 21,664</b>	<b>\$ 893,955</b>	<b>\$ 5,681,568</b>

## Denver Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2010

<b>Total fund balances of governmental funds (page 16)</b>	\$ 2,433,487
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,147,657
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-13,376
Long-term liabilities, including bonds, notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the government funds	<u>-1,534,000</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 6,033,768</u>

## Denver Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2010

	General	Capital Projects	Debt Service	Non-major	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 2,026,078	\$ 542,466	\$ 140,813	\$ 264,624	\$ 2,973,981
Tuition	288,515	-	-	-	288,515
Other	197,348	20,677	3,175	323,606	544,806
Intermediate sources	-	-	-	-	-
State sources	3,310,925	-	113	212	3,311,250
Federal sources	584,285	-	-	-	584,285
<b>Total Revenues</b>	<b>\$ 6,407,151</b>	<b>\$ 563,143</b>	<b>\$ 144,101</b>	<b>\$ 588,442</b>	<b>\$ 7,702,837</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 2,996,552	\$ -	\$ -	\$ -	\$ 2,996,552
Special instruction	727,725	-	-	-	727,725
Other instruction	411,934	-	-	282,311	694,245
	<b>\$ 4,136,211</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 282,311</b>	<b>\$ 4,418,522</b>
<b>Support Services:</b>					
Student services	\$ 159,973	\$ -	\$ -	\$ -	\$ 159,973
Instructional staff services	244,354	118,816	-	-	363,170
Administration services	765,183	-	-	-	765,183
Operation and maintenance of plant services	461,696	-	-	75,767	537,463
Transportation services	155,917	-	-	-	155,917
	<b>\$ 1,787,123</b>	<b>\$ 118,816</b>	<b>\$ -</b>	<b>\$ 75,767</b>	<b>\$ 1,981,706</b>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ 212,390	\$ -	\$ 159,352	\$ 371,742
<b>Long-Term Debt:</b>					
Principal	-	-	1,655,000	-	1,655,000
Interest and fiscal charges	-	-	93,581	-	93,581
AEA flow-through	312,042	-	-	-	312,042
	<b>\$ 312,042</b>	<b>\$ 212,390</b>	<b>\$ 1,748,581</b>	<b>\$ 159,352</b>	<b>\$ 2,432,365</b>
<b>Total Expenditures</b>	<b>\$ 6,235,376</b>	<b>\$ 331,206</b>	<b>\$ 1,748,581</b>	<b>\$ 517,430</b>	<b>\$ 8,832,593</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 171,775</b>	<b>\$ 231,937</b>	<b>\$ -1,604,480</b>	<b>\$ 71,012</b>	<b>\$ -1,129,756</b>
<b>Other financing sources (uses):</b>					
Bond proceeds and premium	\$ -	\$ -	\$ 1,370,915	\$ -	\$ 1,370,915
Operating transfers in	-	-	245,521	-	245,521
Operating transfers out	-	-245,521	-	-	-245,521
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -245,521</b>	<b>\$ 1,616,436</b>	<b>\$ -</b>	<b>\$ 1,370,915</b>
<b>Net change in fund balances</b>	<b>\$ 171,775</b>	<b>\$ -13,584</b>	<b>\$ 11,956</b>	<b>\$ 71,012</b>	<b>\$ 241,159</b>
<b>Fund balances beginning of year</b>	<b>494,973</b>	<b>1,212,463</b>	<b>9,708</b>	<b>475,184</b>	<b>2,192,328</b>
<b>Fund Balances End of Year</b>	<b>\$ 666,748</b>	<b>\$ 1,198,879</b>	<b>\$ 21,664</b>	<b>\$ 546,196</b>	<b>\$ 2,433,487</b>

See notes to financial statements.

## Denver Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2010**

**Net change in fund balances – total governmental funds (page 18)** \$ 241,159

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 495,803	
Depreciation expense	-321,230	174,573

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as

Issued	\$ -1,370,000	
Repaid	1,655,000	285,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ -40,000	
Other postemployment benefits	-124,000	-164,000

**Change in Net Assets of Governmental Activities (page 15)** **\$ 535,939**

Denver Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 82,122
Accounts receivable	135
Inventories	5,663
Capital assets, net of accumulated depreciation	25,252
<b>Total Assets</b>	<u>\$ 113,172</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,238
Deferred revenue -- other	5,278
	<u>\$ 6,516</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 25,252
Unrestricted	81,404
<b>Total Net Assets</b>	<u>\$ 106,656</u>

**Denver Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2010**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 211,365
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 93,080
Benefits	13,115
Purchased services	5,161
Supplies	172,995
Depreciation	4,335
Miscellaneous	3,325
Total operating expenses	<u>\$ 292,011</u>
Operating loss	<u>\$ -80,646</u>
Non-operating revenues:	
State sources	\$ 3,436
Federal sources	85,054
Interest income	159
Total non-operating revenues	<u>\$ 88,649</u>
Change in net assets	\$ 8,003
Net assets beginning of year	<u>98,653</u>
Net Assets End of Year	<u>\$ 106,656</u>

## Denver Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 211,198
Cash paid to employees for services	-106,195
Cash paid to suppliers for goods or services	-154,103
Net cash used by operating activities	<u>\$ -49,100</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,436
Federal grants received	60,907
Net cash provided by non-capital financing activities	<u>\$ 64,343</u>
Cash flow from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -6,409</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 159</u>
Net decrease in cash and cash equivalents	\$ 8,993
Cash and cash equivalents beginning of year	<u>73,129</u>
Cash and Cash Equivalents End of Year	<u>\$ 82,122</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -80,646
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,147
Depreciation	4,335
Decrease in inventories	2,545
(Increase) in accounts receivable	-22
Increase in deferred revenue	-
Increase in accounts payable	541
Net Cash Used by Operating Activities	<u>\$ -49,100</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received \$24,147 of federal commodities.

Denver Community School District

Statement of Net Assets  
Fiduciary Fund

June 30, 2010

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 347,467
<b>Total assets</b>	<u>\$ 347,467</u>
<b>Liabilities</b>	
Accounts payable	\$ -
<b>Total liabilities</b>	<u>\$ -</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>\$ 347,467</u>

**Denver Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2010**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 6,000
Deductions:	
Support services:	
Scholarships awarded	\$ 6,063
Change in net assets	\$ -63
Net assets beginning of year	347,530
Net Assets End of Year	\$ 347,467

**Denver Community School District**

**Notes to Financial Statements**

**June 30, 2010**

**(1) Summary of Significant Accounting Policies**

Denver Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Denver, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Denver Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Denver Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa..

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio as follows:

	<u>Amortized Cost</u>
Total	<u>\$1,529,692</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Project	<u>\$245,521</u>

Transfers generally move revenues from the fund statutorily to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2009-10A	6/25/09	6/23/10	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -
2009-10B	2/1/10	1/21/11	-	-	-	-	-
<b>Total</b>			<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended June 30, 2010, the District paid \$17,888 of interest on the ISCAP warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 211,600	\$ -	\$ -	\$ 211,600
Construction in process		276,918	-	276,918
<b>Total capital assets not being depreciated</b>	<b>\$ 211,600</b>	<b>\$ 276,918</b>	<b>\$ -</b>	<b>\$ 488,518</b>
Capital assets being depreciated:				
Buildings	\$ 5,830,108	\$ 18,086	\$ -	\$ 5,848,194
Improvements other than buildings	605,494	10,446	-	615,940
Furniture and equipment	3,459,177	190,353	-	3,649,530
<b>Total capital assets being depreciated</b>	<b>\$ 9,894,779</b>	<b>\$ 218,885</b>	<b>\$ -</b>	<b>\$ 10,113,664</b>
Less accumulated depreciation for:				
Buildings	\$ 1,896,429	\$ 115,606	\$ -	\$ 2,012,035
Improvements other than buildings	151,534	30,663	-	182,197
Furniture and equipment	3,085,332	174,961	-	3,260,293
<b>Total accumulated depreciation</b>	<b>\$ 5,133,295</b>	<b>\$ 321,230</b>	<b>\$ -</b>	<b>\$ 5,454,525</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 4,761,484</b>	<b>\$ -102,345</b>	<b>\$ -</b>	<b>\$ 4,659,139</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,973,084</b>	<b>\$ 174,573</b>	<b>\$ -</b>	<b>\$ 5,147,657</b>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 40,019	\$ 6,409	\$ -	\$ 46,428
Less accumulated depreciation	16,841	4,335	-	21,176
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 23,178</b>	<b>\$ 2,074</b>	<b>\$ -</b>	<b>\$ 25,252</b>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 209,844
Other	56,531

Support services:

Administration	1,241
Operation and maintenance of plant	16,567
Transportation	37,047

Total Depreciation Expense – Governmental Activities \$ 321,230

Business Type Activities:

Food service operations	\$ 4,335
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**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,655,000	\$ 1,370,000	\$ 1,655,000	\$ 1,370,000	\$ 100,000
Early retirement	-	40,000	-	40,000	40,000
Net OPEB liability	-	124,000	-	124,000	-
<b>Total</b>	<b>\$ 1,655,000</b>	<b>\$ 1,534,000</b>	<b>\$ 1,655,000</b>	<b>\$ 1,534,000</b>	<b>\$ 140,000</b>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed eighteen years of full-time service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$10,000 to be paid in October 2010.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of February 10, 2010			
	Interest Rate	Principal	Interest	Total
2011	1.00%	\$ 100,000	\$ 48,823	\$ 148,823
2012	1.40%	110,000	35,618	145,618
2013	1.70%	115,000	34,077	149,077
2014	2.10%	115,000	32,123	147,123
2015	2.40%	120,000	29,707	149,707
2016	2.70%	125,000	26,828	151,828
2017	3.00%	130,000	23,452	153,452
2018	3.20%	130,000	19,553	149,553
2019	3.40%	135,000	15,393	150,393
2020	3.60%	145,000	10,802	155,802
2021	3.85%	145,000	5,582	150,582
<b>Total</b>		<b>\$ 1,370,000</b>	<b>\$ 281,958</b>	<b>\$ 1,651,958</b>

During the year ended June 30, 2010, the District made principal and interest payments totaling \$1,730,500. This was due to the refinancing of the April 1, 2002 General Obligation Bonds.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$239,118, \$220,884, and \$195,914, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	135,000
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	135,000
Contributions made		11,000
Increase in net OPEB obligation	\$	124,000
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	124,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$527,398 to the medical plan. Plan members eligible for benefits contributed \$28,629, or 5% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$135,000	8.14%	\$124,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$794,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$794,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,092,000 and the ratio of the UAAL to covered payroll was 25.7%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$654 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

Denver Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$312,042 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

At June 30, 2010 the District has \$276,918 in construction in process in design and consulting fees for an elementary K-2 addition which is in process (See Note 12).

**(12) Subsequent Events**

In July 2010 the District approved a construction contract for the elementary K-2 addition in the amount of \$2,713,000. In September 2010 the District adopted a resolution for the sale of \$4,320,000 school infrastructure sales, service and use tax revenue bonds to be used for the construction and other improvements.

The District has evaluated subsequent events through February 7, 2011 which is the date that the financial statement were available to be issued.

**(13) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Dropout Prevention	\$ 55,011
Beginning Teacher Mentoring	624
Teacher Salary Supplement	40,166
Core Curriculum	5,415
Professional Development	4,988
Total	<u>\$ 106,204</u>

**Required Supplementary Information**



	Total Actual	Budgeted Amount	Final To Actual Variance
\$	4,018,826	\$ 4,193,871	\$ -175,045
	-	-	-
	3,314,686	4,351,461	-1,036,775
	669,339	837,000	-167,661
\$	8,002,851	\$ 9,382,332	\$ -1,379,481
<hr/>			
\$	4,418,522	\$ 5,424,275	\$ 1,005,753
	1,981,706	2,609,000	627,294
	292,011	460,027	168,016
	2,432,365	6,483,295	4,050,930
\$	9,124,604	\$ 14,976,597	\$ 5,851,993
<hr/>			
\$	-1,121,753	\$ -5,594,265	\$ 4,472,512
	1,370,915	4,000,000	-2,629,085
<hr/>			
\$	249,162	\$ -1,594,265	\$ 1,843,427
	2,290,981	2,031,681	259,300
<hr/>			
\$	2,540,143	\$ 437,416	\$ 2,102,727

**Denver Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

**Denver Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)**

**Required Supplementary Information**

**June 30, 2010**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,092	25.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

## Denver Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 126,988	\$ 122,563	\$ 352,450	\$ 602,001
Receivables:				
Property Tax:				
Delinquent	619	-	866	1,485
Succeeding year	129,999	-	160,470	290,469
<b>Total Assets</b>	<b>\$ 257,606</b>	<b>\$ 122,563</b>	<b>\$ 513,786</b>	<b>\$ 893,955</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 57,290	\$ 57,290
Deferred Revenue:				
Succeeding year property tax	129,999	-	160,470	290,469
<b>Total liabilities</b>	<b>\$ 129,999</b>	<b>\$ -</b>	<b>\$ 217,760</b>	<b>\$ 347,759</b>
Fund Equity:				
Unreserved fund balances	\$ 127,607	\$ 122,563	\$ 296,026	\$ 546,196
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 257,606</b>	<b>\$ 122,563</b>	<b>\$ 296,026</b>	<b>\$ 893,955</b>

## Denver Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Funds**

Year Ended June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local Sources:				
Local tax	\$ 110,012	\$ -	\$ 154,612	\$ 264,624
Other	9,647	300,091	13,868	323,606
State sources	88	-	124	212
Total Revenues	<u>\$ 119,747</u>	<u>\$ 300,091</u>	<u>\$ 168,604</u>	<u>\$ 588,442</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	\$ -	\$ 282,311	\$ -	\$ 282,311
Support Services:				
Operation and maintenance of plant services	75,767	-	-	75,767
Other Expenditures:				
Facilities acquisition	-	-	159,352	159,352
Total Expenditures	<u>\$ 75,767</u>	<u>\$ 282,311</u>	<u>\$ 159,352</u>	<u>\$ 517,430</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 43,980	\$ 17,780	\$ 9,252	\$ 71,012
Fund balances beginning of year	83,627	104,783	286,774	475,184
Fund Balances End of Year	<u>\$ 127,607</u>	<u>\$ 122,563</u>	<u>\$ 296,026</u>	<u>\$ 546,196</u>

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Shop resale	\$ 1,398	\$ 363	\$ 2,067	\$ 1,875	\$ 1,569
Resale-High School	3,889	54,306	953	-55,553	1,689
Resale-Art	2,524	-	-	1,320	3,844
Resale-Middle School	7,319	6,964	4,708	48	9,623
Resale-Elementary	9,596	-142	2,010	5,017	12,461
Class of 2010	1,217	-	4,306	3,983	894
Class of 2011	5,216	878	-	-3,322	2,772
Class of 2012	1,403	40	-	1,160	2,603
Class of 2013	-	235	-	960	1,195
Elementary Fundraising	13,785	52,096	51,548	-100	14,233
High School book rent clearing	-	2,627	13,990	13,008	1,645
Elementary music resale	385	-	-	-	385
Elementary School book rent clearing	-	246	7,542	7,296	-
Boys' basketball	2,314	7,427	6,342	-	3,399
Girls' basketball	2,350	5,710	5,496	-	2,564
Football	1,635	15,927	21,432	4,500	630
Baseball	297	13,773	12,372	-	1,698
Track	3,132	6,509	5,880	-	3,761
Softball	704	3,994	4,735	100	63
Wrestling	2,016	9,902	10,188	-	1,730
Middle School Student Council	783	119	321	-	581
Athletic	3,287	62,089	64,211	435	1,600
Cheerleaders	63	1,418	1,264	-	217
Golf	345	1,215	2,488	940	12
Volleyball	365	3,709	2,740	-	1,334
Soccer	2,170	7,797	6,363	-	3,604
Drama and Speech	1,307	843	888	85	1,347
Library	513	2,013	1,818	-45	663
FFA-Farming Fund	4,374	681	27	-	5,028
Elementary Book Fair	3,658	7,308	7,758	-	3,208
Foods resale	135	1,267	3,454	2,174	122
Chemistry resale	836	-2	2,460	4,459	2,833
Student Council	3,151	3,838	3,106	-	3,883
Band Trip	359	4,598	2,660	-	2,297
Weightlifting Club	606	-	400	-	206
Bowling	1,272	-	-	-	1,272
Athletic Passes	195	1,155	910	2,535	2,975
Elementary Student Council	-	1,932	1,949	100	83

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Annual	\$ 11,025	\$ 5,259	\$ 10,550	\$ 7,209	\$ 12,943
Variety Show	3,491	-	-	-	3,491
Vocal-miscellaneous	86	895	950	264	295
Instrumental-miscellaneous	-	-	-	-	-
Instrumental-resale	280	5,488	7,715	1,980	33
Faculty-pop	1,014	336	27	-	1,323
Elementary-pop	131	-	-	-	131
FFA	6,149	6,538	6,683	312	6,316
Spanish Club	8	-	-	-	8
Interest on investments	-	740	-	-740	-
<b>Total</b>	<b>\$ 104,783</b>	<b>\$ 300,091</b>	<b>\$ 282,311</b>	<b>\$ -</b>	<b>\$ 122,563</b>



Modified Accrual Basis		
2006	2005	2004
\$ 2,479,070	\$ 2,312,518	\$ 2,241,025
247,457	235,216	198,142
391,681	401,736	473,627
-	-	-
3,015,176	2,900,896	2,780,478
104,002	127,944	95,905
<u>\$ 6,237,386</u>	<u>\$ 5,978,310</u>	<u>\$ 5,789,177</u>

\$ 2,627,832	\$ 2,584,094	\$ 2,330,395
520,020	589,854	552,746
462,179	432,110	417,883
155,666	131,146	101,108
225,114	180,569	175,904
671,170	824,229	677,200
528,619	542,440	423,467
143,171	153,815	214,464
-	-	61,000
489,904	816,730	860,706
150,000	145,000	135,000
98,480	102,168	105,505
202,498	198,578	198,928
<u>\$ 6,274,653</u>	<u>\$ 6,700,733</u>	<u>\$ 6,254,306</u>

See accompanying independent auditor's report.

**Denver Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

Grantor/Program	CFDA Number	Grant Number	Expendi tures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 5,339
National School Lunch Program	10.555	FY10	79,715 *
			<u>\$ 85,054</u>
US Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 40,328
ARRA-Title I Grants to Local Education Agencies, Recovery Act	84.389	FY10	7,752
			<u>\$ 48,080</u>
Career and Technical Education – Basic Grants to States	84.048	FY10	\$ 3,460
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY10	\$ 1,839
Improving Teacher Quality State Grants	84.367	FY10	\$ 4,490
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	<u>\$ 365,585</u>
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY10	\$ 34,924 **
ARRA – Special Education Grants to States, Recovery Act	84.391	FY10	<u>\$ 95,494 **</u>
Total			<u>\$ 644,029</u>

\*- Includes \$24,147 of non-cash awards.

\*\* - Total for CFDA Number 84.391 is \$95,494 and total for Special Education Cluster (IDEA) is \$130,418.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Denver Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 7, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Denver Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Denver Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Denver Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-10 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denver Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denver Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Denver Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denver Community School District and other parties to whom Denver Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Denver Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 7, 2011

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Denver Community School District:

Compliance

I have audited the compliance of Denver Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Denver Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Denver Community School Districts management. My responsibility is to express an opinion on Denver Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denver Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Denver Community School District's compliance with those requirements.

In my opinion, Denver Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Denver Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Denver Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Denver Community School District's internal control over compliance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denver Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denver Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Denver Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denver Community School District and other parties to whom Denver Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Denver Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 7, 2011

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

**Part I – Summary of the Independent Auditor’s Results:**

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Denver Community School District did not qualify as a low-risk auditee.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2010

**Part II – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

**Part III – Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act  
Federal Award Year: 2010  
US Department of Education  
Passed through the Iowa Department of Education**

III-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain maximum internal control possible under the circumstances.

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

**Part IV - Other Findings Related to Statutory Reporting:**

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the certified budget.

IV-B-10 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted. One student counted in the original counts in October 2009 was found not to be in attendance and was adjusted by the Department of Education in September of 2010.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-K-10 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Pop Accounts, Book Rent Accounts and Resale Accounts.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the General Fund or Enterprise Fund, as appropriate. Accounts used as temporary clearing accounts should be closed at the end of each fiscal year.

Response – These accounts are being phased out. These accounts will be re-allocated or spent on activity items in the future until expended fully.

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

**Part IV - Other Findings Related to Statutory Reporting (continued):**

IV-L-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line at any time and see/print the back side of any check.

Conclusion – Response accepted.

IV-M-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather the supplement other funds.

According to proposed administrative rules, “Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

**Part IV - Other Findings Related to Statutory Reporting (continued):**

IV-N-10 Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	332,549
Statewide sales and service tax revenue			542,466
Expenditures/transfer out:			
School infrastructure:			
Equipment	\$	118,815	
Other improvements		212,390	
Debt service for school infrastructure:			
General obligation debt		107,000	(438,205)
			<hr/>
Ending balance		\$	<u>436,810</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.92991	\$ 542,466
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-